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MOTION FOR A RESOLUTION

further to Question for Oral Answer B6-0342/2005

pursuant to Rule 108(5) of the Rules of Procedure, by

- Alexander Radwan, on behalf of the PPE-DE Group
- Ieke van den Burg, on behalf of the PSE Group
- Wolf Klinz, on behalf of the ALDE Group
- Ian Hudghton, on behalf of the Verts/ALE Group
- Sahra Wagenknecht, on behalf of the GUE/NGL Group
- Eoin Ryan and Guntars Krasts, on behalf of the UEN Group

on the expiry of Directive 1999/85/EC concerning reduced VAT rates on labour-intensive services

European Parliament resolution on the expiry of Directive 1999/85/EC concerning reduced VAT rates on labour-intensive services

The European Parliament,

- having regard to the Presidency conclusions of the December 1998 European Council, which called on the Commission 'to allow those Member States who so desire to experiment with reduced VAT rates on labour-intensive services which are not exposed to cross-border competition' in order to promote employment,
 - having regard to the Report from the Commission to the Council and the European Parliament on the experimental application of a reduced rate of VAT to certain labour-intensive services (COM(2003) 309 final),
 - having regard to European Parliament Report A5-0001/2004 of 15 January 2004 on the proposal for a Council Directive amending Directive 77/388/EEC to extend the facility allowing Member States to apply reduced rates of VAT to certain labour-intensive services,
 - having regard to European Parliament Report A5-0410/2003 of 4 December 2003 on the proposal for a Council directive amending Directive 77/388/EEC as regards reduced rates of value added tax,
 - having regard to European Parliament Report A6-0058/2004 of 14 December 2004 on the proposal for a Council Directive amending Directive 77/388/EC by reason of the accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia,
 - having regard to Rule 108(5) of its Rules of Procedure,
- A. whereas the experiment was strictly limited in time and concerned only the services described in the new Annex K added to Directive 77/388/EEC and whereas these provisions expire on 31 December 2005,
- B. whereas Directive 1999/85/EC stipulates that participating Member States must draw up a detailed assessment of its impact in terms of job creation and efficiency, and that the Commission is required to submit a global evaluation report,
- C. whereas this scheme was introduced on a temporary basis in 1999 and its aims included increasing employment and reducing the black economy; whereas it was clearly indicated that the scheme would have to be brought to an end after three years and whereas it has already been extended since,
- D. whereas the Commission has also submitted a proposal, COM(2003) 397, aimed at affording the Member States equal opportunities to apply reduced rates in certain fields and to rationalise the numerous derogations that currently apply in some Member States,

which is currently blocked in the Council,

- E. whereas it would be difficult to terminate abruptly measures to which companies have become accustomed,
 - F. whereas Member States should be afforded equal opportunities to apply reduced VAT rates in certain areas and pursue their social and cultural policies through a flexible system of indirect taxation,
 - G. whereas the provisions on the application of the reduced rate of VAT are permissive and not prescriptive, based on a principle of optionality, and do not give rise to a high level of cross-border distortion,
1. Urges the Council to prolong the experiment until the end of 2006, by which time the Commission is requested to present a comprehensive evaluation based on the data collected during the whole period of the experiment; suggests that this new evaluation take into consideration net job creation as well as the mechanism that led to it, in order to have a broad overview of the economic impact;
 2. Considers that the experiment has not been in force long enough to be accurately evaluated and that the evaluation presented in 2003 was based on insufficient data;
 3. Calls for account to be taken of the alarming situation regarding the expiry of the provisions in question and an immediate switch to standard VAT rates that might lead to price increases and have a negative impact on employment in the sectors concerned, and calls on the Commission and the Council to take appropriate measures to avoid legal uncertainty as of 1 January 2006;
 4. Following the evaluation, supports inclusion of those sectors where results are satisfactory in Annex H, thus making these exemptions permanent, and calls on the Commission to present a proposal containing a phase-out plan for the sectors where no positive results have been achieved;
 5. Calls on the Council to approve without further delay the proposal from the Commission (COM (2004) 295) to allow new Member States to apply reduced rates to certain labour-intensive services if they so wish, putting an end to the current discriminatory situation;
 6. Instructs its President to forward this resolution to the Council and Commission.